

**1.14 ARTICLE 1  
1.15 HIGHER EDUCATION**

1.16 Section 1. Laws 2010, First Special Session chapter 1, article 5, section 4, is amended

1.17 to read:

1.18 Sec. 4. **BOARD OF TRUSTEES OF THE  
MINNESOTA STATE COLLEGES AND  
UNIVERSITIES** \$ **-0-** \$ **(50,000,000)**

1.21 \$2,079,000 of the reduction in 2011 is from  
1.22 the central offices and shared services unit  
1.23 appropriation. None of these reductions may  
1.24 be charged back or allocated to the campuses.

1.25 \$47,921,000 of the reduction in 2011  
1.26 is from the operations and maintenance  
1.27 appropriation.

2.1 For fiscal years 2012 and 2013, the base for  
2.2 operations and maintenance is \$580,802,000  
2.3 \$532,881,000 each year.

**2.4 EFFECTIVE DATE.** This section is effective the day following final enactment.

2.5 Sec. 2. Laws 2010, First Special Session chapter 1, article 5, section 5, is amended to  
2.6 read:

2.7 Sec. 5. **BOARD OF REGENTS OF THE  
UNIVERSITY OF MINNESOTA**

2.9 Subdivision 1. **Total Appropriation** \$ **-0-** \$ **(50,000,000)**

2.10 The appropriation reductions for each  
2.11 purpose are shown in the following  
2.12 subdivisions.

2.13 Subd. 2. **Operations and Maintenance** **-0-** (44,606,000)

**1.14 ARTICLE 1  
1.15 HIGHER EDUCATION**

1.16 Section 1. Laws 2010, First Special Session chapter 1, article 5, section 4, is amended

1.17 to read:

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UNIVERSITIES** \$ **-0-** \$ **(50,000,000)**

1.21 \$2,079,000 of the reduction in 2011 is from  
1.22 the central offices and shared services unit  
1.23 appropriation. None of these reductions may  
1.24 be charged back or allocated to the campuses.

1.25 \$47,921,000 of the reduction in 2011  
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1.27 appropriation.

2.1 For fiscal years 2012 and 2013, the base for  
2.2 operations and maintenance is \$580,802,000  
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**2.4 EFFECTIVE DATE.** This section is effective the day following final enactment.

2.5 Sec. 2. Laws 2010, First Special Session chapter 1, article 5, section 5, is amended to  
2.6 read:

2.7 Sec. 5. **BOARD OF REGENTS OF THE  
UNIVERSITY OF MINNESOTA**

2.9 Subdivision 1. **Total Appropriation** \$ **-0-** \$ **(50,000,000)**

2.10 The appropriation reductions for each  
2.11 purpose are shown in the following  
2.12 subdivisions.

2.13 Subd. 2. **Operations and Maintenance** **-0-** (44,606,000)

2.14 For fiscal years 2012 and 2013, the base for  
 2.15 operations and maintenance is \$578,370,000  
 2.16 \$533,764,000 each year.

**2.17 Subd. 3. Special Appropriations**

|   |     |             |
|---|-----|-------------|
| 2.18 (a) <b>Agriculture and Extension Service</b> | -0- | (3,858,000) |
|---|-----|-------------|

|                                 |     |           |
|---------------------------------|-----|-----------|
| 2.19 (b) <b>Health Sciences</b> | -0- | (389,000) |
|---------------------------------|-----|-----------|

2.20 \$26,000 of the 2011 reduction is from the St.  
 2.21 Cloud family practice residency program.

|   |     |           |
|---|-----|-----------|
| 2.22 (c) <b>Institute of Technology</b> | -0- | (102,000) |
|---|-----|-----------|

|                                |     |           |
|--------------------------------|-----|-----------|
| 2.23 (d) <b>System Special</b> | -0- | (454,000) |
|--------------------------------|-----|-----------|

|   |     |           |
|---|-----|-----------|
| 2.24 (e) <b>University of Minnesota and Mayo Foundation Partnership</b> | -0- | (591,000) |
|---|-----|-----------|

2.26 **EFFECTIVE DATE.** This section is effective the day following final enactment.

**3.1 ARTICLE 2**  
**3.2 HUMAN SERVICES**

3.3 Section 1. Minnesota Statutes 2010, section 256B.766, is amended to read:

**3.4 256B.766 REIMBURSEMENT FOR BASIC CARE SERVICES.**

3.5 (a) Effective for services provided on or after July 1, 2009, total payments for basic care services, shall be reduced by three percent, except that for the period July 1, 2009, through June 30, 2011, total payments shall be reduced by 4.5 percent for the medical assistance and general assistance medical care programs, prior to third-party liability and spenddown calculation. Effective July 1, 2010, the commissioner shall classify physical therapy services, occupational therapy services, and speech-language pathology and related services as basic care services. The reduction in this paragraph shall apply to physical therapy services, occupational therapy services, and speech-language pathology and related services provided on or after July 1, 2010.

2.14 For fiscal years 2012 and 2013, the base for  
 2.15 operations and maintenance is \$578,370,000  
 2.16 \$533,764,000 each year.

**2.17 Subd. 3. Special Appropriations**

|   |     |             |
|---|-----|-------------|
| 2.18 (a) <b>Agriculture and Extension Service</b> | -0- | (3,858,000) |
|---|-----|-------------|

|                                 |     |           |
|---------------------------------|-----|-----------|
| 2.19 (b) <b>Health Sciences</b> | -0- | (389,000) |
|---------------------------------|-----|-----------|

2.20 \$26,000 of the 2011 reduction is from the St.  
 2.21 Cloud family practice residency program.

|   |     |           |
|---|-----|-----------|
| 2.22 (c) <b>Institute of Technology</b> | -0- | (102,000) |
|---|-----|-----------|

|                                |     |           |
|--------------------------------|-----|-----------|
| 2.23 (d) <b>System Special</b> | -0- | (454,000) |
|--------------------------------|-----|-----------|

|   |     |           |
|---|-----|-----------|
| 2.24 (e) <b>University of Minnesota and Mayo Foundation Partnership</b> | -0- | (591,000) |
|---|-----|-----------|

2.26 **EFFECTIVE DATE.** This section is effective the day following final enactment.

**3.1 ARTICLE 2**  
**3.2 HUMAN SERVICES**

3.3 Section 1. Minnesota Statutes 2010, section 256B.766, is amended to read:

**3.4 256B.766 REIMBURSEMENT FOR BASIC CARE SERVICES.**

3.5 (a) Effective for services provided on or after July 1, 2009, total payments for basic care services, shall be reduced by three percent, except that for the period July 1, 2009, through June 30, 2011, total payments shall be reduced by 4.5 percent for the medical assistance and general assistance medical care programs, prior to third-party liability and spenddown calculation. Effective July 1, 2010, the commissioner shall classify physical therapy services, occupational therapy services, and speech-language pathology and related services as basic care services. The reduction in this paragraph shall apply to physical therapy services, occupational therapy services, and speech-language pathology and related services provided on or after July 1, 2010.

3.14 (b) Payments made to managed care plans and county-based purchasing plans shall  
 3.15 be reduced for services provided on or after October 1, 2009, to reflect the reduction  
 3.16 effective July 1, 2009, and payments made to the plans shall be reduced effective October  
 3.17 1, 2010, to reflect the reduction effective July 1, 2010.

3.18 (c) This section does not apply to physician and professional services, inpatient  
 3.19 hospital services, family planning services, mental health services, dental services,  
 3.20 prescription drugs, medical transportation, federally qualified health centers, rural health  
 3.21 centers, Indian health services, and Medicare cost-sharing.

3.22 **EFFECTIVE DATE.** This section is effective the day following final enactment.

3.23 Sec. 2. **DEPARTMENT OF HUMAN  
SERVICES**

|      |                               |  |
|------|-------------------------------|--|
| 3.25 | <b>APPROPRIATIONS</b>         |  |
| 3.26 | <b>Available for the Year</b> |  |

|      |                       |  |
|------|-----------------------|--|
| 3.27 | <b>Ending June 30</b> |  |
|------|-----------------------|--|

|      |             |             |  |
|------|-------------|-------------|--|
| 3.28 | <b>2012</b> | <b>2013</b> |  |
|------|-------------|-------------|--|

|      |  |                        |                     |  |
|------|--|------------------------|---------------------|--|
| 3.29 | <b>Subdivision 1. Total appropriation.</b> | <b>\$ (19,659,000)</b> | <b>(19,659,000)</b> |  |
|------|--|------------------------|---------------------|--|

3.30 The appropriation reductions for each  
 3.31 purpose are shown in the following  
 3.32 subdivisions. The appropriation reductions  
 3.33 shown are to previously established general  
 3.34 fund bases for the following programs.

4.1 Subd. 2. **Children and Economic Assistance**  
 4.2 **Grants**

|     |   |                     |                     |  |
|-----|---|---------------------|---------------------|--|
| 4.3 | <b>(a) Children and Community Services Grants</b> | <b>(13,659,000)</b> | <b>(13,659,000)</b> |  |
|-----|---|---------------------|---------------------|--|

3.14 (b) Payments made to managed care plans and county-based purchasing plans shall  
 3.15 be reduced for services provided on or after October 1, 2009, to reflect the reduction  
 3.16 effective July 1, 2009, and payments made to the plans shall be reduced effective October  
 3.17 1, 2010, to reflect the reduction effective July 1, 2010.

3.18 (c) This section does not apply to physician and professional services, inpatient  
 3.19 hospital services, family planning services, mental health services, dental services,  
 3.20 prescription drugs, medical transportation, federally qualified health centers, rural health  
 3.21 centers, Indian health services, and Medicare cost-sharing.

3.22 **EFFECTIVE DATE.** This section is effective the day following final enactment.

3.23 Sec. 2. **DEPARTMENT OF HUMAN  
SERVICES**

|      |                               |  |
|------|-------------------------------|--|
| 3.25 | <b>APPROPRIATIONS</b>         |  |
| 3.26 | <b>Available for the Year</b> |  |

|      |                       |  |
|------|-----------------------|--|
| 3.27 | <b>Ending June 30</b> |  |
|------|-----------------------|--|

|      |  |                        |                     |
|------|--|------------------------|---------------------|
| 3.28 | <b>2012</b>                                | <b>2013</b>            |                     |
| 3.29 | <b>Subdivision 1. Total appropriation.</b> | <b>\$ (19,659,000)</b> | <b>(19,659,000)</b> |

3.30 The appropriation reductions for each  
 3.31 purpose are shown in the following  
 3.32 subdivisions. The appropriation reductions  
 3.33 shown are to previously established general  
 3.34 fund bases for the following programs.

4.1 Subd. 2. **Children and Economic Assistance**  
 4.2 **Grants**

|     |   |                     |                     |
|-----|---|---------------------|---------------------|
| 4.3 | <b>(a) Children and Community Services Grants</b> | <b>(13,659,000)</b> | <b>(13,659,000)</b> |
|-----|---|---------------------|---------------------|

4.4 (b) General Assistance Grants (5,267,000) (5,267,000)

4.5 **Emergency General Assistance.** This  
4.6 reduction is to reduce the general fund base  
4.7 for emergency general assistance in fiscal  
4.8 years 2012 and 2013.

4.9 (c) Minnesota Supplemental Aid Grants (733,000) (733,000)

4.10 **Emergency Minnesota Supplemental Aid.**  
4.11 This reduction is to reduce the general fund  
4.12 base for emergency Minnesota supplemental  
4.13 aid in fiscal years 2012 and 2013.

4.14 **EFFECTIVE DATE.** This section is effective the day following final enactment.

4.15 **ARTICLE 3**  
4.16 **STATE GOVERNMENT REDUCTIONS**

4.17 Section 1. **[43A.175] SALARY FREEZE.**

4.18 (a) Effective July 1, 2011, or after the current bargaining agreements expire,  
4.19 whichever is later, a state employee may not receive a salary or wage increase. This  
4.20 section prohibits any increases, including but not limited to across-the-board increases,  
4.21 cost-of-living adjustments, increases based on longevity, step increases, increases  
4.22 in the form of lump-sum payments, increases in employer contributions to deferred  
4.23 compensation plans, or any other pay grade adjustments of any kind. This section does not  
4.24 prohibit an increase in the rate of salary and wages for an employee who is promoted or  
4.25 transferred to a position with greater responsibilities and with a higher salary or wage rate.

4.26 (b) A state appointing authority may not enter into a collective bargaining agreement  
4.27 or implement a compensation plan that increases salary or wages in a manner prohibited  
4.28 by this section. Neither a state appointing authority nor an exclusive representative of state  
4.29 employees may request interest arbitration in relation to an increase in salary or wages that  
4.30 is prohibited by this section, and an arbitrator may not issue an award that would increase  
4.31 salary or wages in a manner prohibited by this section.

5.1 **EFFECTIVE DATE.** Paragraph (a) is effective June 30, 2011. Paragraph (b) is  
5.2 effective the day following final enactment.

4.4 (b) General Assistance Grants (5,267,000) (5,267,000)

4.5 **Emergency General Assistance.** This  
4.6 reduction is to reduce the general fund base  
4.7 for emergency general assistance in fiscal  
4.8 years 2012 and 2013.

4.9 (c) Minnesota Supplemental Aid Grants (733,000) (733,000)

4.10 **Emergency Minnesota Supplemental Aid.**  
4.11 This reduction is to reduce the general fund  
4.12 base for emergency Minnesota supplemental  
4.13 aid in fiscal years 2012 and 2013.

4.14 **EFFECTIVE DATE.** This section is effective the day following final enactment.

4.15 **ARTICLE 3**  
4.16 **2011 REDUCTIONS**

**5.3 Sec. 2. FISCAL YEAR 2011 REDUCTIONS.**

5.4 (a) By March 31, 2011, the commissioner of management and budget must allocate  
 5.5 a reduction of \$199,236,000 for the fiscal year ending June 30, 2011, to general fund  
 5.6 appropriations made to executive branch agencies as defined in Minnesota Statutes,  
 5.7 section 16A.011, subdivision 12a. Reductions in fiscal year 2011 appropriations cancel to  
 5.8 the general fund. Executive branch agencies must cooperate with the commissioner of  
 5.9 management and budget in developing and implementing these reductions.

5.10 (b) The commissioner may not reduce appropriations for general education  
 5.11 programs under Minnesota Statutes, section 126C.10, and special education programs  
 5.12 under Minnesota Statutes, sections 125A.76 and 125A.79. The commissioner may not  
 5.13 further reduce appropriations to the Board of Trustees of the Minnesota State Colleges  
 5.14 and Universities or to the Board of Regents of the University of Minnesota below the  
 5.15 reduction in Laws 2010, First Special Session chapter 1, article 5, sections 4 and 5. In  
 5.16 allocating the reductions the commissioner must consider appropriation amounts carried  
 5.17 forward from fiscal year 2010 into fiscal year 2011. The commissioner must report to the  
 5.18 chairs and ranking minority members of the senate Finance Committee and the house  
 5.19 of representatives Ways and Means Committee regarding the amount of reductions in  
 5.20 spending by each agency and program under this section.

5.21 (c) Reductions in this section apply to fiscal year 2011 only.

**4.17 Section 1. FISCAL YEAR 2011 REDUCTIONS.**

4.18 (a) By March 31, 2011, the commissioner of management and budget must allocate  
 4.19 a reduction of \$125,000,000 for the fiscal year ending June 30, 2011, to general fund  
 4.20 appropriations made to executive branch agencies as defined in Minnesota Statutes,  
 4.21 section 16A.011, subdivision 12a. Reductions in fiscal year 2011 appropriations cancel to  
 4.22 the general fund. Executive branch agencies must cooperate with the commissioner of  
 4.23 management and budget in developing and implementing these reductions.

4.24 (b) The commissioner may not reduce appropriations for:  
 4.25 (1) general education programs under Minnesota Statutes, section 126C.10, and  
 4.26 special education programs under Minnesota Statutes, sections 125A.76 and 125A.79;  
 4.27 (2) enlistment incentives provided by the adjutant general;  
 4.28 (3) the state soldiers' assistance program under Minnesota Statutes, section 197.03;  
 4.29 (4) the county veterans service office grant program under Minnesota Statutes,  
 4.30 section 197.608;  
 4.31 (5) the higher education grant program under Minnesota Statutes, section 136A.121;  
 4.32 (6) flood and tornado disaster relief in Laws 2010, Second Special Session chapter 1,  
 4.33 article 1, section 3, and article 2, section 3, for use by the commissioner of public safety;  
 5.1 (7) local government flood relief grants in Laws 2010, Second Special Session  
 5.2 chapter 1, article 1, section 5;  
 5.3 (8) the job skills partnership program under Minnesota Statutes, chapter 116L;  
 5.4 (9) the vocational rehabilitation program under Minnesota Statutes, chapter 268A;  
 5.5 and  
 5.6 (10) the facilities division of the Department of Corrections.  
 5.7 The commissioner may not further reduce appropriations to the Board of Trustees  
 5.8 of the Minnesota State Colleges and Universities or to the Board of Regents of the  
 5.9 University of Minnesota below the reduction in Laws 2010, First Special Session  
 5.10 chapter 1, article 5, sections 4 and 5. In allocating the reductions the commissioner  
 5.11 must consider appropriation amounts carried forward from fiscal 2010 into fiscal year  
 5.12 2011. The commissioner must report to the chairs and ranking minority members of the  
 5.13 senate Finance Committee and the house of representatives Ways and Means Committee  
 5.14 regarding the amount of reductions in spending by each agency and program under this  
 5.15 section.  
 5.16 (c) Reductions in this section apply to fiscal year 2011 only.

5.22 **EFFECTIVE DATE.** This section is effective the day following final enactment.

5.23 Sec. 3. **REDUCTIONS, LEGISLATURE, CONSTITUTIONAL OFFICERS.**

5.24 Subdivision 1. **Reductions.** Appropriations for fiscal year 2011 made in Laws 2009,  
5.25 chapter 101, article 1, are reduced by the amount listed in this section. Reductions in  
5.26 this section apply to fiscal year 2011 only.

5.27 Subd. 2. **House of representatives.** \$96,000

5.28 Subd. 3. **State auditor.** \$41,000

5.29 Subd. 4. **Attorney general.** \$500,000

5.30 Subd. 5. **Secretary of state.** \$127,000

5.31 **EFFECTIVE DATE.** This section is effective the day following final enactment.

6.1 **ARTICLE 4**

6.2 **TAX AIDS AND CREDITS**

6.3 Section 1. Minnesota Statutes 2010, section 270A.03, subdivision 7, is amended to  
6.4 read:

6.5 Subd. 7. **Refund.** "Refund" means an individual income tax refund or political  
6.6 contribution refund, pursuant to chapter 290, or a property tax credit or refund, pursuant to  
6.7 chapter 290A, or a sustainable forest tax payment to a claimant under chapter 290C.

6.8 For purposes of this chapter, lottery prizes, as set forth in section 349A.08,  
6.9 subdivision 8, and amounts granted to persons by the legislature on the recommendation  
6.10 of the joint senate-house of representatives Subcommittee on Claims shall be treated  
6.11 as refunds.

5.17 **EFFECTIVE DATE.** This section is effective the day following final enactment.

5.18 Sec. 2. **REDUCTIONS, LEGISLATURE, CONSTITUTIONAL OFFICERS.**

5.19 Subdivision 1. **Reductions.** Appropriations for fiscal year 2011 made in Laws 2009,  
5.20 chapter 101, article 1, are reduced by the amount listed in this section. Reductions in  
5.21 this section apply to fiscal year 2011 only.

5.22 Subd. 2. **Senate.** \$72,000

5.23 Subd. 3. **House of representatives.** \$96,000

5.24 Subd. 4. **State auditor.** \$41,000

5.25 Subd. 5. **Attorney general.** \$500,000

5.26 Subd. 6. **Secretary of state.** \$127,000

5.27 **EFFECTIVE DATE.** This section is effective the day following final enactment.

5.28 **ARTICLE 4**

5.29 **TAX AIDS AND CREDITS**

5.30 Section 1. Minnesota Statutes 2010, section 270A.03, subdivision 7, is amended to  
5.31 read:

6.1 Subd. 7. **Refund.** "Refund" means an individual income tax refund or political  
6.2 contribution refund, pursuant to chapter 290, or a property tax credit or refund, pursuant to  
6.3 chapter 290A, or a sustainable forest tax payment to a claimant under chapter 290C.

6.4 For purposes of this chapter, lottery prizes, as set forth in section 349A.08,  
6.5 subdivision 8, and amounts granted to persons by the legislature on the recommendation  
6.6 of the joint senate-house of representatives Subcommittee on Claims shall be treated  
6.7 as refunds.

6.12 In the case of a joint property tax refund payable to spouses under chapter 290A,  
 6.13 the refund shall be considered as belonging to each spouse in the proportion of the total  
 6.14 refund that equals each spouse's proportion of the total income determined under section  
 6.15 290A.03, subdivision 3. In the case of a joint income tax refund under chapter 289A, the  
 6.16 refund shall be considered as belonging to each spouse in the proportion of the total  
 6.17 refund that equals each spouse's proportion of the total taxable income determined under  
 6.18 section 290.01, subdivision 29. The commissioner shall remit the entire refund to the  
 6.19 claimant agency, which shall, upon the request of the spouse who does not owe the debt,  
 6.20 determine the amount of the refund belonging to that spouse and refund the amount to  
 6.21 that spouse. For court fines, fees, and surcharges and court-ordered restitution under  
 6.22 section 611A.04, subdivision 2, the notice provided by the commissioner of revenue under  
 6.23 section 270A.07, subdivision 2, paragraph (b), serves as the appropriate legal notice  
 6.24 to the spouse who does not owe the debt.

6.25 **EFFECTIVE DATE.** This section is effective for refund claims based on  
 6.26 contributions made after June 30, 2011.

6.27 Sec. 2. Minnesota Statutes 2010, section 273.1384, subdivision 6, is amended to read:

6.28 Subd. 6. **Credit reduction; towns.** In 2011 and each year thereafter, the market  
 6.29 value credit reimbursement amount for each ~~taxing jurisdiction town~~ determined under  
 6.30 this section is reduced by the dollar amount of the reduction in market value credit  
 6.31 reimbursements for that ~~taxing jurisdiction town~~ in 2010 due to the reductions under  
 6.32 section 477A.0133. No ~~taxing jurisdiction's town's~~ market value credit reimbursements  
 6.33 are reduced to less than zero under this subdivision. The commissioner of revenue shall  
 7.1 pay the annual market value credit reimbursement amounts, after reduction under this  
 7.2 subdivision, to the affected ~~taxing jurisdictions towns~~ as provided in this section.

7.3 **EFFECTIVE DATE.** This section is effective for credit reimbursements in 2011  
 7.4 and thereafter.

7.5 Sec. 3. Minnesota Statutes 2010, section 273.1384, is amended by adding a subdivision  
 7.6 to read:

7.7 Subd. 7. **Credit reductions and limitation; counties and cities.** (a) In 2011 and  
 7.8 2012, the market value credit reimbursement payment to each county and city authorized  
 7.9 under subdivision 4 may not exceed the reimbursement payment received by the county  
 7.10 or city for taxes payable in 2010.

6.8 In the case of a joint property tax refund payable to spouses under chapter 290A,  
 6.9 the refund shall be considered as belonging to each spouse in the proportion of the total  
 6.10 refund that equals each spouse's proportion of the total income determined under section  
 6.11 290A.03, subdivision 3. In the case of a joint income tax refund under chapter 289A, the  
 6.12 refund shall be considered as belonging to each spouse in the proportion of the total  
 6.13 refund that equals each spouse's proportion of the total taxable income determined under  
 6.14 section 290.01, subdivision 29. The commissioner shall remit the entire refund to the  
 6.15 claimant agency, which shall, upon the request of the spouse who does not owe the debt,  
 6.16 determine the amount of the refund belonging to that spouse and refund the amount to  
 6.17 that spouse. For court fines, fees, and surcharges and court-ordered restitution under  
 6.18 section 611A.04, subdivision 2, the notice provided by the commissioner of revenue under  
 6.19 section 270A.07, subdivision 2, paragraph (b), serves as the appropriate legal notice  
 6.20 to the spouse who does not owe the debt.

6.21 **EFFECTIVE DATE.** This section is effective for refund claims based on  
 6.22 contributions made after June 30, 2011.

6.23 Sec. 2. Minnesota Statutes 2010, section 273.1384, subdivision 6, is amended to read:

6.24 Subd. 6. **Credit reduction; towns.** In 2011 and each year thereafter, the market  
 6.25 value credit reimbursement amount for each ~~taxing jurisdiction town~~ determined under  
 6.26 this section is reduced by the dollar amount of the reduction in market value credit  
 6.27 reimbursements for that ~~taxing jurisdiction town~~ in 2010 due to the reductions under  
 6.28 section 477A.0133. No ~~taxing jurisdiction's town's~~ market value credit reimbursements  
 6.29 are reduced to less than zero under this subdivision. The commissioner of revenue shall  
 6.30 pay the annual market value credit reimbursement amounts, after reduction under this  
 6.31 subdivision, to the affected ~~taxing jurisdictions towns~~ as provided in this section.

6.32 **EFFECTIVE DATE.** This section is effective for credit reimbursements in 2011  
 6.33 and thereafter.

7.1 Sec. 3. Minnesota Statutes 2010, section 273.1384, is amended by adding a subdivision  
 7.2 to read:

7.3 Subd. 7. **Credit reductions and limitation; counties and cities.** (a) In 2011 and  
 7.4 2012, the market value credit reimbursement payment to each county and city authorized  
 7.5 under subdivision 4 may not exceed the reimbursement payment received by the county  
 7.6 or city for taxes payable in 2010.

7.11 (b) In 2013 and each year thereafter, the market value credit reimbursement amount  
 7.12 for each city and county determined under this section is reduced by the dollar amount of  
 7.13 the reduction in market value credit reimbursements for that city or county in 2010 due  
 7.14 to the reductions under section 477A.0133. No taxing jurisdiction's market value credit  
 7.15 reimbursements are reduced to less than zero under this subdivision. The commissioner of  
 7.16 revenue shall pay the annual market value credit reimbursement amounts, after reduction  
 7.17 under this subdivision, to the affected city or county as provided in this section.

7.18 **EFFECTIVE DATE.** This section is effective for credit reimbursements in 2011  
 7.19 and thereafter.

7.20 Sec. 4. Minnesota Statutes 2010, section 289A.50, subdivision 1, is amended to read:

7.21 Subdivision 1. **General right to refund.** (a) Subject to the requirements of this  
 7.22 section and section 289A.40, a taxpayer who has paid a tax in excess of the taxes lawfully  
 7.23 due and who files a written claim for refund will be refunded or credited the overpayment  
 7.24 of the tax determined by the commissioner to be erroneously paid.

7.25 (b) The claim must specify the name of the taxpayer, the date when and the period  
 7.26 for which the tax was paid, the kind of tax paid, the amount of the tax that the taxpayer  
 7.27 claims was erroneously paid, the grounds on which a refund is claimed, and other  
 7.28 information relative to the payment and in the form required by the commissioner. An  
 7.29 income tax, estate tax, or corporate franchise tax return, or amended return claiming an  
 7.30 overpayment constitutes a claim for refund.

7.31 (c) When, in the course of an examination, and within the time for requesting a  
 7.32 refund, the commissioner determines that there has been an overpayment of tax, the  
 7.33 commissioner shall refund or credit the overpayment to the taxpayer and no demand  
 8.1 is necessary. If the overpayment exceeds \$1, the amount of the overpayment must  
 8.2 be refunded to the taxpayer. If the amount of the overpayment is less than \$1, the  
 8.3 commissioner is not required to refund. In these situations, the commissioner does not  
 8.4 have to make written findings or serve notice by mail to the taxpayer.

8.5 (d) If the amount allowable as a credit for withholding, estimated taxes, or dependent  
 8.6 care exceeds the tax against which the credit is allowable, the amount of the excess is  
 8.7 considered an overpayment. The refund allowed by section 290.06, subdivision 23, is also  
 8.8 considered an overpayment. The requirements of section 270C.33 do not apply to the  
 8.9 refunding of such an overpayment shown on the original return filed by a taxpayer.

8.10 (e) If the entertainment tax withheld at the source exceeds by \$1 or more the taxes,  
 8.11 penalties, and interest reported in the return of the entertainment entity or imposed by  
 8.12 section 290.9201, the excess must be refunded to the entertainment entity. If the excess is  
 8.13 less than \$1, the commissioner need not refund that amount.

7.7 (b) In 2013 and each year thereafter, the market value credit reimbursement amount  
 7.8 for each city and county determined under this section is reduced by the dollar amount of  
 7.9 the reduction in market value credit reimbursements for that city or county in 2010 due  
 7.10 to the reductions under sections 477A.0133 and 477A.0134. No taxing jurisdiction's  
 7.11 market value credit reimbursements are reduced to less than zero under this subdivision.  
 7.12 The commissioner of revenue shall pay the annual market value credit reimbursement  
 7.13 amounts, after reduction under this subdivision, to the affected city or county as provided  
 7.14 in this section.

7.15 **EFFECTIVE DATE.** This section is effective for credit reimbursements in 2011  
 7.16 and thereafter.

7.17 Sec. 4. Minnesota Statutes 2010, section 289A.50, subdivision 1, is amended to read:

7.18 Subdivision 1. **General right to refund.** (a) Subject to the requirements of this  
 7.19 section and section 289A.40, a taxpayer who has paid a tax in excess of the taxes lawfully  
 7.20 due and who files a written claim for refund will be refunded or credited the overpayment  
 7.21 of the tax determined by the commissioner to be erroneously paid.

7.22 (b) The claim must specify the name of the taxpayer, the date when and the period  
 7.23 for which the tax was paid, the kind of tax paid, the amount of the tax that the taxpayer  
 7.24 claims was erroneously paid, the grounds on which a refund is claimed, and other  
 7.25 information relative to the payment and in the form required by the commissioner. An  
 7.26 income tax, estate tax, or corporate franchise tax return, or amended return claiming an  
 7.27 overpayment constitutes a claim for refund.

7.28 (c) When, in the course of an examination, and within the time for requesting a  
 7.29 refund, the commissioner determines that there has been an overpayment of tax, the  
 7.30 commissioner shall refund or credit the overpayment to the taxpayer and no demand  
 7.31 is necessary. If the overpayment exceeds \$1, the amount of the overpayment must  
 7.32 be refunded to the taxpayer. If the amount of the overpayment is less than \$1, the  
 7.33 commissioner is not required to refund. In these situations, the commissioner does not  
 7.34 have to make written findings or serve notice by mail to the taxpayer.

8.1 (d) If the amount allowable as a credit for withholding, estimated taxes, or dependent  
 8.2 care exceeds the tax against which the credit is allowable, the amount of the excess is  
 8.3 considered an overpayment. The refund allowed by section 290.06, subdivision 23, is also  
 8.4 considered an overpayment. The requirements of section 270C.33 do not apply to the  
 8.5 refunding of such an overpayment shown on the original return filed by a taxpayer.

8.6 (e) If the entertainment tax withheld at the source exceeds by \$1 or more the taxes,  
 8.7 penalties, and interest reported in the return of the entertainment entity or imposed by  
 8.8 section 290.9201, the excess must be refunded to the entertainment entity. If the excess is  
 8.9 less than \$1, the commissioner need not refund that amount.

8.14 (f) If the surety deposit required for a construction contract exceeds the liability of  
8.15 the out-of-state contractor, the commissioner shall refund the difference to the contractor.

8.16 (g) An action of the commissioner in refunding the amount of the overpayment does  
8.17 not constitute a determination of the correctness of the return of the taxpayer.

8.18 (h) There is appropriated from the general fund to the commissioner of revenue the  
8.19 amount necessary to pay refunds allowed under this section.

8.20 **EFFECTIVE DATE.** This section is effective for refund claims based on  
8.21 contributions made after June 30, 2011.

8.22 Sec. 5. Minnesota Statutes 2010, section 290.01, subdivision 6, is amended to read:

8.23 Subd. 6. **Taxpayer.** The term "taxpayer" means any person or corporation subject to  
8.24 a tax imposed by this chapter. ~~For purposes of section 290.06, subdivision 23, the term~~  
~~8.25 "taxpayer" means an individual eligible to vote in Minnesota under section 201.014.~~

8.26 **EFFECTIVE DATE.** This section is effective for refund claims based on  
8.27 contributions made after June 30, 2011.

8.28 Sec. 6. Minnesota Statutes 2010, section 290A.03, subdivision 11, is amended to read:

8.29 Subd. 11. **Rent constituting property taxes.** "Rent constituting property taxes"  
8.30 means ~~49~~ <sup>15</sup> percent of the gross rent actually paid in cash, or its equivalent, or the portion  
8.31 of rent paid in lieu of property taxes, in any calendar year by a claimant for the right  
8.32 of occupancy of the claimant's Minnesota homestead in the calendar year, and which  
9.1 rent constitutes the basis, in the succeeding calendar year of a claim for relief under this  
9.2 chapter by the claimant.

9.3 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in  
9.4 2010 and following years.

9.5 Sec. 7. Minnesota Statutes 2010, section 290A.03, subdivision 13, is amended to read:

8.10 (f) If the surety deposit required for a construction contract exceeds the liability of  
8.11 the out-of-state contractor, the commissioner shall refund the difference to the contractor.

8.12 (g) An action of the commissioner in refunding the amount of the overpayment does  
8.13 not constitute a determination of the correctness of the return of the taxpayer.

8.14 (h) There is appropriated from the general fund to the commissioner of revenue the  
8.15 amount necessary to pay refunds allowed under this section.

8.16 **EFFECTIVE DATE.** This section is effective for refund claims based on  
8.17 contributions made after June 30, 2011.

8.18 Sec. 5. Minnesota Statutes 2010, section 290.01, subdivision 6, is amended to read:

8.19 Subd. 6. **Taxpayer.** The term "taxpayer" means any person or corporation subject to  
8.20 a tax imposed by this chapter. ~~For purposes of section 290.06, subdivision 23, the term~~  
~~8.21 "taxpayer" means an individual eligible to vote in Minnesota under section 201.014.~~

8.22 **EFFECTIVE DATE.** This section is effective for refund claims based on  
8.23 contributions made after June 30, 2011.

8.24 Sec. 6. Minnesota Statutes 2010, section 290A.03, subdivision 11, is amended to read:

8.25 Subd. 11. **Rent constituting property taxes.** "Rent constituting property taxes"  
8.26 means ~~49~~ <sup>15</sup> percent of the gross rent actually paid in cash, or its equivalent, or the portion  
8.27 of rent paid in lieu of property taxes, in any calendar year by a claimant for the right  
8.28 of occupancy of the claimant's Minnesota homestead in the calendar year, and which  
8.29 rent constitutes the basis, in the succeeding calendar year of a claim for relief under this  
8.30 chapter by the claimant.

8.31 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in  
8.32 2010 and following years.

9.1 Sec. 7. Minnesota Statutes 2010, section 290A.03, subdivision 13, is amended to read:

9.6 Subd. 13. **Property taxes payable.** "Property taxes payable" means the property tax  
 9.7 exclusive of special assessments, penalties, and interest payable on a claimant's homestead  
 9.8 after deductions made under sections 273.135, 273.1384, 273.1391, 273.42, subdivision 2,  
 9.9 and any other state paid property tax credits in any calendar year, and after any refund  
 9.10 claimed and allowable under section 290A.04, subdivision 2h, that is first payable in  
 9.11 the year that the property tax is payable. In the case of a claimant who makes ground  
 9.12 lease payments, "property taxes payable" includes the amount of the payments directly  
 9.13 attributable to the property taxes assessed against the parcel on which the house is located.  
 9.14 No apportionment or reduction of the "property taxes payable" shall be required for the  
 9.15 use of a portion of the claimant's homestead for a business purpose if the claimant does not  
 9.16 deduct any business depreciation expenses for the use of a portion of the homestead in the  
 9.17 determination of federal adjusted gross income. For homesteads which are manufactured  
 9.18 homes as defined in section 273.125, subdivision 8, and for homesteads which are park  
 9.19 trailers taxed as manufactured homes under section 168.012, subdivision 9, "property  
 9.20 taxes payable" shall also include ~~49~~<sub>15</sub> percent of the gross rent paid in the preceding  
 9.21 year for the site on which the homestead is located. When a homestead is owned by  
 9.22 two or more persons as joint tenants or tenants in common, such tenants shall determine  
 9.23 between them which tenant may claim the property taxes payable on the homestead. If  
 9.24 they are unable to agree, the matter shall be referred to the commissioner of revenue  
 9.25 whose decision shall be final. Property taxes are considered payable in the year prescribed  
 9.26 by law for payment of the taxes.

9.27 In the case of a claim relating to "property taxes payable," the claimant must have  
 9.28 owned and occupied the homestead on January 2 of the year in which the tax is payable  
 9.29 and (i) the property must have been classified as homestead property pursuant to section  
 9.30 273.124, on or before December 15 of the assessment year to which the "property taxes  
 9.31 payable" relate; or (ii) the claimant must provide documentation from the local assessor  
 9.32 that application for homestead classification has been made on or before December 15  
 9.33 of the year in which the "property taxes payable" were payable and that the assessor has  
 9.34 approved the application.

10.1 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in  
 10.2 2010 and following years.

10.3 Sec. 8. Minnesota Statutes 2010, section 290C.07, is amended to read:  
 10.4 **290C.07 CALCULATION OF INCENTIVE PAYMENT.**

10.5 (a) An approved claimant under the sustainable forest incentive program is eligible  
 10.6 to receive an annual payment. Subject to the limitation contained in paragraph (b), the  
 10.7 payment shall equal the greater of:

9.2 Subd. 13. **Property taxes payable.** "Property taxes payable" means the property tax  
 9.3 exclusive of special assessments, penalties, and interest payable on a claimant's homestead  
 9.4 after deductions made under sections 273.135, 273.1384, 273.1391, 273.42, subdivision 2,  
 9.5 and any other state paid property tax credits in any calendar year, and after any refund  
 9.6 claimed and allowable under section 290A.04, subdivision 2h, that is first payable in  
 9.7 the year that the property tax is payable. In the case of a claimant who makes ground  
 9.8 lease payments, "property taxes payable" includes the amount of the payments directly  
 9.9 attributable to the property taxes assessed against the parcel on which the house is located.  
 9.10 No apportionment or reduction of the "property taxes payable" shall be required for the  
 9.11 use of a portion of the claimant's homestead for a business purpose if the claimant does not  
 9.12 deduct any business depreciation expenses for the use of a portion of the homestead in the  
 9.13 determination of federal adjusted gross income. For homesteads which are manufactured  
 9.14 homes as defined in section 273.125, subdivision 8, and for homesteads which are park  
 9.15 trailers taxed as manufactured homes under section 168.012, subdivision 9, "property  
 9.16 taxes payable" shall also include ~~49~~<sub>15</sub> percent of the gross rent paid in the preceding  
 9.17 year for the site on which the homestead is located. When a homestead is owned by  
 9.18 two or more persons as joint tenants or tenants in common, such tenants shall determine  
 9.19 between them which tenant may claim the property taxes payable on the homestead. If  
 9.20 they are unable to agree, the matter shall be referred to the commissioner of revenue  
 9.21 whose decision shall be final. Property taxes are considered payable in the year prescribed  
 9.22 by law for payment of the taxes.

9.23 In the case of a claim relating to "property taxes payable," the claimant must have  
 9.24 owned and occupied the homestead on January 2 of the year in which the tax is payable  
 9.25 and (i) the property must have been classified as homestead property pursuant to section  
 9.26 273.124, on or before December 15 of the assessment year to which the "property taxes  
 9.27 payable" relate; or (ii) the claimant must provide documentation from the local assessor  
 9.28 that application for homestead classification has been made on or before December 15  
 9.29 of the year in which the "property taxes payable" were payable and that the assessor has  
 9.30 approved the application.

9.31 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in  
 9.32 2010 and following years.

9.33 Sec. 8. Minnesota Statutes 2010, section 290C.07, is amended to read:  
 9.34 **290C.07 CALCULATION OF INCENTIVE PAYMENT.**

10.1 (a) An approved claimant under the sustainable forest incentive program is eligible  
 10.2 to receive an annual payment. Subject to the limitation contained in paragraph (b), the  
 10.3 payment shall equal the greater of:

10.8 (1) the difference between the property tax that would be paid on the land using the  
 10.9 previous year's statewide average total township tax rate and a class rate of one percent, if  
 10.10 the land were valued at (i) the average statewide managed forest land market value per  
 10.11 acre calculated under section 290C.06, and (ii) the average statewide managed forest land  
 10.12 current use value per acre calculated under section 290C.02, subdivision 5; or

10.13 (2) two-thirds of the property tax amount determined by using the previous year's  
 10.14 statewide average total township tax rate, the estimated market value per acre as calculated  
 10.15 in section 290C.06, and a class rate of one percent, provided that the payment shall be no  
 10.16 less than \$7 per acre for each acre enrolled in the sustainable forest incentive program.

10.17 (b) The annual payment under this section per each Social Security number or state  
 10.18 or federal business tax identification number must not exceed \$100,000.

10.19 **EFFECTIVE DATE.** This section is effective for payments in calendar year 2011  
 10.20 and thereafter.

10.21 Sec. 9. Minnesota Statutes 2010, section 477A.0124, is amended by adding a  
 10.22 subdivision to read:

10.23 Subd. 6. Aid payments in 2011 and 2012. Notwithstanding total aids calculated or  
 10.24 certified for 2011 under subdivisions 3, 4, and 5, for 2011 and 2012, each county shall  
 10.25 receive an aid distribution under this section equal to the lesser of (1) the total amount of  
 10.26 aid it received under this section in 2010 after the reductions under Minnesota Statutes,  
 10.27 sections 477A.0133 and 477A.0134, or (2) the total amount the county is certified to  
 10.28 receive in 2011 under subdivisions 3 to 5.

10.29 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 10.30 2011 and 2012.

10.31 Sec. 10. Minnesota Statutes 2010, section 477A.013, subdivision 9, is amended to read:

11.1 Subd. 9. **City aid distribution.** (a) In calendar year 2009 and thereafter, each  
 11.2 city shall receive an aid distribution equal to the sum of (1) the city formula aid under  
 11.3 subdivision 8, and (2) its city aid base.

11.4 (b) For aids payable in 2011 2013 only, the total aid in the previous year for any  
 11.5 city shall mean the amount of aid it was certified to receive for aids payable in 2010 2011  
 11.6 under this section ~~minus the amount of its aid reduction under section 477A.0134~~. For aids  
 11.7 payable in 2012 2014 and thereafter, the total aid in the previous year for any city means  
 11.8 the amount of aid it was certified to receive under this section in the previous payable year.

10.4 (1) the difference between the property tax that would be paid on the land using the  
 10.5 previous year's statewide average total township tax rate and a class rate of one percent, if  
 10.6 the land were valued at (i) the average statewide managed forest land market value per  
 10.7 acre calculated under section 290C.06, and (ii) the average statewide managed forest land  
 10.8 current use value per acre calculated under section 290C.02, subdivision 5; or

10.9 (2) two thirds of the property tax amount determined by using the previous year's  
 10.10 statewide average total township tax rate, the estimated market value per acre as calculated  
 10.11 in section 290C.06, and a class rate of one percent, provided that the payment shall be  
 10.12 no less than \$7 \$7.75 per acre for each acre enrolled in the sustainable forest incentive  
 10.13 program.

10.14 (b) The annual payment under this section per each Social Security number or state  
 10.15 or federal business tax identification number must not exceed \$100,000.

10.16 **EFFECTIVE DATE.** This section is effective for payments in calendar year 2011  
 10.17 and thereafter.

10.18 Sec. 9. Minnesota Statutes 2010, section 477A.0124, is amended by adding a  
 10.19 subdivision to read:

10.20 Subd. 6. Aid payments in 2011 and 2012. Notwithstanding total aids calculated or  
 10.21 certified for 2011 under subdivisions 3, 4, and 5, for 2011 and 2012, each county shall  
 10.22 receive an aid distribution under this section equal to the lesser of (1) the total amount of  
 10.23 aid it received under this section in 2010 after the reductions under sections 477A.0133  
 10.24 and 477A.0134, or (2) the total amount the county is certified to receive in 2011 under  
 10.25 subdivisions 3 to 5.

10.26 **EFFECTIVE DATE.** This section is effective for aids payable in calendar years  
 10.27 2011 and 2012.

10.28 Sec. 10. Minnesota Statutes 2010, section 477A.013, subdivision 9, is amended to read:

10.29 Subd. 9. **City aid distribution.** (a) In calendar year 2009 and thereafter, each  
 10.30 city shall receive an aid distribution equal to the sum of (1) the city formula aid under  
 10.31 subdivision 8, and (2) its city aid base.

10.32 (b) For aids payable in 2011 2013 only, the total aid in the previous year for any  
 10.33 city shall mean the amount of aid it was certified to receive for aids payable in 2010 2012  
 11.1 under this section ~~minus the amount of its aid reduction under section 477A.0134~~. For aids  
 11.2 payable in 2012 2014 and thereafter, the total aid in the previous year for any city means  
 11.3 the amount of aid it was certified to receive under this section in the previous payable year.

11.9 (c) For aids payable in 2010 and thereafter, the total aid for any city shall not exceed  
 11.10 the sum of (1) ten percent of the city's net levy for the year prior to the aid distribution  
 11.11 plus (2) its total aid in the previous year. For aids payable in 2009 and thereafter, the total  
 11.12 aid for any city with a population of 2,500 or more may not be less than its total aid under  
 11.13 this section in the previous year minus the lesser of \$10 multiplied by its population, or ten  
 11.14 percent of its net levy in the year prior to the aid distribution.

11.15 (d) For aids payable in 2010 and thereafter, the total aid for a city with a population  
 11.16 less than 2,500 must not be less than the amount it was certified to receive in the  
 11.17 previous year minus the lesser of \$10 multiplied by its population, or five percent of its  
 11.18 2003 certified aid amount. For aids payable in 2009 only, the total aid for a city with a  
 11.19 population less than 2,500 must not be less than what it received under this section in the  
 11.20 previous year unless its total aid in calendar year 2008 was aid under section 477A.011,  
 11.21 subdivision 36, paragraph (s), in which case its minimum aid is zero.

11.22 (e) A city's aid loss under this section may not exceed \$300,000 in any year in  
 11.23 which the total city aid appropriation under section 477A.03, subdivision 2a, is equal or  
 11.24 greater than the appropriation under that subdivision in the previous year, unless the  
 11.25 city has an adjustment in its city net tax capacity under the process described in section  
 11.26 469.174, subdivision 28.

11.27 (f) If a city's net tax capacity used in calculating aid under this section has decreased  
 11.28 in any year by more than 25 percent from its net tax capacity in the previous year due to  
 11.29 property becoming tax-exempt Indian land, the city's maximum allowed aid increase  
 11.30 under paragraph (c) shall be increased by an amount equal to (1) the city's tax rate in the  
 11.31 year of the aid calculation, multiplied by (2) the amount of its net tax capacity decrease  
 11.32 resulting from the property becoming tax exempt.

11.33 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 11.34 2012 and thereafter.

12.1 Sec. 11. Minnesota Statutes 2010, section 477A.013, is amended by adding a  
 12.2 subdivision to read:

12.3 **Subd. 11. Aid payments in 2011 and 2012.** Notwithstanding aids calculated or  
 12.4 certified for 2011 under subdivision 9, for 2011 and 2012, each city shall receive an aid  
 12.5 distribution under this section equal to the lesser of (1) the total amount of aid it received  
 12.6 under this section in 2010 after the reductions under sections 477A.0133 and 477A.0134,  
 12.7 and reduced by the amount of payments made under section 477A.011, subdivision  
 12.8 36, paragraphs (y) and (z), or (2) the amount it was certified to receive in 2011 under  
 12.9 subdivision 9.

11.4 (c) For aids payable in 2010 and thereafter, the total aid for any city shall not exceed  
 11.5 the sum of (1) ten percent of the city's net levy for the year prior to the aid distribution  
 11.6 plus (2) its total aid in the previous year. For aids payable in 2009 and thereafter, the total  
 11.7 aid for any city with a population of 2,500 or more may not be less than its total aid under  
 11.8 this section in the previous year minus the lesser of \$10 multiplied by its population, or ten  
 11.9 percent of its net levy in the year prior to the aid distribution.

11.10 (d) For aids payable in 2010 and thereafter, the total aid for a city with a population  
 11.11 less than 2,500 must not be less than the amount it was certified to receive in the  
 11.12 previous year minus the lesser of \$10 multiplied by its population, or five percent of its  
 11.13 2003 certified aid amount. For aids payable in 2009 only, the total aid for a city with a  
 11.14 population less than 2,500 must not be less than what it received under this section in the  
 11.15 previous year unless its total aid in calendar year 2008 was aid under section 477A.011,  
 11.16 subdivision 36, paragraph (s), in which case its minimum aid is zero.

11.17 (e) A city's aid loss under this section may not exceed \$300,000 in any year in  
 11.18 which the total city aid appropriation under section 477A.03, subdivision 2a, is equal or  
 11.19 greater than the appropriation under that subdivision in the previous year, unless the  
 11.20 city has an adjustment in its city net tax capacity under the process described in section  
 11.21 469.174, subdivision 28.

11.22 (f) If a city's net tax capacity used in calculating aid under this section has decreased  
 11.23 in any year by more than 25 percent from its net tax capacity in the previous year due to  
 11.24 property becoming tax-exempt Indian land, the city's maximum allowed aid increase  
 11.25 under paragraph (c) shall be increased by an amount equal to (1) the city's tax rate in the  
 11.26 year of the aid calculation, multiplied by (2) the amount of its net tax capacity decrease  
 11.27 resulting from the property becoming tax exempt.

11.28 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 11.29 2012 and thereafter.

11.30 Sec. 11. Minnesota Statutes 2010, section 477A.013, is amended by adding a  
 11.31 subdivision to read:

11.32 **Subd. 11. Aid payments in 2011 and 2012.** Notwithstanding aids calculated or  
 11.33 certified for 2011 under subdivision 9, for 2011 and 2012, each city shall receive an aid  
 11.34 distribution under this section equal to the lesser of (1) the total amount of aid it received  
 11.35 under this section in 2010 after the reductions under sections 477A.0133 and 477A.0134,  
 12.1 and reduced by the amount of payments made under section 477A.011, subdivision 36,  
 12.2 paragraphs (y) and (z), and, for 2011 only, increased by the aid base adjustment under  
 12.3 section 477A.011, subdivision 36, paragraph (aa), or (2) the amount it was certified to  
 12.4 receive in 2011 under subdivision 9.

12.10 **EFFECTIVE DATE.** This section is effective for aids payable in calendar years  
 12.11 2011 and 2012.

12.12 Sec. 12. Minnesota Statutes 2010, section 477A.03, is amended to read:

**12.13 477A.03 APPROPRIATION.**

12.14 Subd. 2. **Annual appropriation.** A sum sufficient to discharge the duties imposed  
 12.15 by sections 477A.011 to 477A.014 is annually appropriated from the general fund to the  
 12.16 commissioner of revenue.

12.17 Subd. 2a. **Cities.** For aids payable in 2011 2013 and thereafter, the total aid paid  
 12.18 under section 477A.013, subdivision 9, is \$527,100,646.

12.19 Subd. 2b. **Counties.** (a) For aids payable in 2011 2013 and thereafter, the total aid  
 12.20 payable under section 477A.0124, subdivision 3, is \$96,395,000. Each calendar year,  
 12.21 \$500,000 shall be retained by the commissioner of revenue to make reimbursements to  
 12.22 the commissioner of management and budget for payments made under section 611.27.  
 12.23 For calendar year 2004, the amount shall be in addition to the payments authorized  
 12.24 under section 477A.0124, subdivision 1. For calendar year 2005 and subsequent  
 12.25 years, the amount shall be deducted from the appropriation under this paragraph. The  
 12.26 reimbursements shall be to defray the additional costs associated with court-ordered  
 12.27 counsel under section 611.27. Any retained amounts not used for reimbursement in a year  
 12.28 shall be included in the next distribution of county need aid that is certified to the county  
 12.29 auditors for the purpose of property tax reduction for the next taxes payable year.

12.30 (b) For aids payable in 2011 2013 and thereafter, the total aid under section  
 12.31 477A.0124, subdivision 4, is \$101,309,575. The commissioner of management and  
 12.32 budget shall bill the commissioner of revenue for the cost of preparation of local impact  
 12.33 notes as required by section 3.987, not to exceed \$207,000 in fiscal year 2004 and  
 12.34 thereafter. The commissioner of education shall bill the commissioner of revenue for the  
 13.1 cost of preparation of local impact notes for school districts as required by section 3.987,  
 13.2 not to exceed \$7,000 in fiscal year 2004 and thereafter. The commissioner of revenue  
 13.3 shall deduct the amounts billed under this paragraph from the appropriation under this  
 13.4 paragraph. The amounts deducted are appropriated to the commissioner of management  
 13.5 and budget and the commissioner of education for the preparation of local impact notes.

13.6 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 13.7 2012 and thereafter.

13.8 Sec. 13. **ADMINISTRATION OF PROPERTY TAX REFUND CLAIMS; 2011.**

12.5 **EFFECTIVE DATE.** This section is effective for aids payable in calendar years  
 12.6 2011 and 2012.

12.7 Sec. 12. Minnesota Statutes 2010, section 477A.03, is amended to read:

**12.8 477A.03 APPROPRIATION.**

12.9 Subd. 2. **Annual appropriation.** A sum sufficient to discharge the duties imposed  
 12.10 by sections 477A.011 to 477A.014 is annually appropriated from the general fund to the  
 12.11 commissioner of revenue.

12.12 Subd. 2a. **Cities.** For aids payable in 2011 2013 and thereafter, the total aid paid  
 12.13 under section 477A.013, subdivision 9, is \$527,100,646 \$426,438,012.

12.14 Subd. 2b. **Counties.** (a) For aids payable in 2011 2013 and thereafter, the total aid  
 12.15 payable under section 477A.0124, subdivision 3, is \$96,395,000 \$80,795,000. Each  
 12.16 calendar year, \$500,000 shall be retained by the commissioner of revenue to make  
 12.17 reimbursements to the commissioner of management and budget for payments made  
 12.18 under section 611.27. For calendar year 2004, the amount shall be in addition to the  
 12.19 payments authorized under section 477A.0124, subdivision 1. For calendar year 2005  
 12.20 and subsequent years, the amount shall be deducted from the appropriation under  
 12.21 this paragraph. The reimbursements shall be to defray the additional costs associated  
 12.22 with court-ordered counsel under section 611.27. Any retained amounts not used for  
 12.23 reimbursement in a year shall be included in the next distribution of county need aid  
 12.24 that is certified to the county auditors for the purpose of property tax reduction for the  
 12.25 next taxes payable year.

12.26 (b) For aids payable in 2011 2013 and thereafter, the total aid under section  
 12.27 477A.0124, subdivision 4, is \$101,309,575 \$84,909,575. The commissioner of  
 12.28 management and budget shall bill the commissioner of revenue for the cost of preparation  
 12.29 of local impact notes as required by section 3.987, not to exceed \$207,000 in fiscal year  
 12.30 2004 and thereafter. The commissioner of education shall bill the commissioner of  
 12.31 revenue for the cost of preparation of local impact notes for school districts as required by  
 12.32 section 3.987, not to exceed \$7,000 in fiscal year 2004 and thereafter. The commissioner  
 12.33 of revenue shall deduct the amounts billed under this paragraph from the appropriation  
 12.34 under this paragraph. The amounts deducted are appropriated to the commissioner of  
 13.1 management and budget and the commissioner of education for the preparation of local  
 13.2 impact notes.

13.3 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 13.4 2012 and thereafter.

13.5 Sec. 13. **ADMINISTRATION OF PROPERTY TAX REFUND CLAIMS; 2011.**

13.9 In administering sections 6 and 7 for claims for refunds submitted using 19 percent  
 13.10 of gross rent as rent constituting property taxes under prior law, the commissioner shall  
13.11 recalculate and pay the refund amounts using 15 percent of gross rent. The commissioner  
13.12 shall notify the claimant that the recalculation was mandated by action of the 2011  
13.13 Legislature.

13.14 **EFFECTIVE DATE.** This section is effective the day following final enactment.

13.15 Sec. 14. **REPEALER.**

13.16 (a) Minnesota Statutes 2010, sections 10A.322, subdivision 4; and 13.4967,  
13.17 subdivision 2, are repealed.

13.18 (b) Minnesota Statutes 2010, section 290.06, subdivision 23, is repealed.

13.19 **EFFECTIVE DATE.** Paragraph (a) is effective the day following final enactment.  
 13.20 Paragraph (b) is effective for refund claims based on contributions made after June 30,  
 13.21 2011.

13.22 **ARTICLE 5**  
 13.23 **FEDERAL UPDATE**

13.24 Section 1. Minnesota Statutes 2010, section 289A.02, subdivision 7, is amended to  
 13.25 read:

13.26 Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal  
 13.27 Revenue Code" means the Internal Revenue Code of 1986, as amended through March 18,  
13.28 2010 September 27, 2010.

13.29 **EFFECTIVE DATE.** This section is effective the day after final enactment.

13.30 Sec. 2. Minnesota Statutes 2010, section 290.01, subdivision 19, is amended to read:  
 14.1 Subd. 19. **Net income.** The term "net income" means the federal taxable income,  
 14.2 as defined in section 63 of the Internal Revenue Code of 1986, as amended through the  
 14.3 date named in this subdivision, incorporating the federal effective dates of changes to the  
 14.4 Internal Revenue Code and any elections made by the taxpayer in accordance with the  
 14.5 Internal Revenue Code in determining federal taxable income for federal income tax  
 14.6 purposes, and with the modifications provided in subdivisions 19a to 19f.

13.6 In administering sections 6 and 7 for claims for refunds submitted using 19 percent  
13.7 of gross rent as rent constituting property taxes under prior law, the commissioner shall  
13.8 recalculate and pay the refund amounts using 15 percent of gross rent. The commissioner  
13.9 shall notify the claimant that the recalculation was mandated by action of the 2011  
13.10 legislature.

13.11 **EFFECTIVE DATE.** This section is effective the day following final enactment.

13.12 Sec. 14. **REPEALER.**

13.13 (a) Minnesota Statutes 2010, sections 10A.322, subdivision 4; and 13.4967,  
13.14 subdivision 2, are repealed.

13.15 (b) Minnesota Statutes 2010, section 290.06, subdivision 23, is repealed.

13.16 **EFFECTIVE DATE.** Paragraph (a) is effective the day following final enactment.  
 13.17 Paragraph (b) is effective for refund claims based on contributions made after June 30,  
 13.18 2011.

13.19 **ARTICLE 5**  
 13.20 **FEDERAL UPDATE**

13.21 Section 1. Minnesota Statutes 2010, section 289A.02, subdivision 7, is amended to  
 13.22 read:

13.23 Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal  
 13.24 Revenue Code" means the Internal Revenue Code of 1986, as amended through March 18,  
13.25 2010 September 27, 2010.

13.26 **EFFECTIVE DATE.** This section is effective the day following final enactment.

13.27 Sec. 2. Minnesota Statutes 2010, section 290.01, subdivision 19, is amended to read:  
 13.28 Subd. 19. **Net income.** The term "net income" means the federal taxable income,  
 13.29 as defined in section 63 of the Internal Revenue Code of 1986, as amended through the  
 13.30 date named in this subdivision, incorporating the federal effective dates of changes to the  
 14.1 Internal Revenue Code and any elections made by the taxpayer in accordance with the  
 14.2 Internal Revenue Code in determining federal taxable income for federal income tax  
 14.3 purposes, and with the modifications provided in subdivisions 19a to 19f.

14.7 In the case of a regulated investment company or a fund thereof, as defined in section  
 14.8 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment  
 14.9 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,  
 14.10 except that:

14.11 (1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal  
 14.12 Revenue Code does not apply;

14.13 (2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal  
 14.14 Revenue Code must be applied by allowing a deduction for capital gain dividends and  
 14.15 exempt-interest dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal  
 14.16 Revenue Code; and

14.17 (3) the deduction for dividends paid must also be applied in the amount of any  
 14.18 undistributed capital gains which the regulated investment company elects to have treated  
 14.19 as provided in section 852(b)(3)(D) of the Internal Revenue Code.

14.20 The net income of a real estate investment trust as defined and limited by section  
 14.21 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust  
 14.22 taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

14.23 The net income of a designated settlement fund as defined in section 468B(d) of  
 14.24 the Internal Revenue Code means the gross income as defined in section 468B(b) of the  
 14.25 Internal Revenue Code.

14.26 The Internal Revenue Code of 1986, as amended through March 18, 2010 September  
14.27 27, 2010, shall be in effect for taxable years beginning after December 31, 1996. The  
 14.28 provisions of the act of January 22, 2010, Public Law 111-126, to accelerate the benefits  
 14.29 for charitable cash contributions for the relief of victims of the Haitian earthquake, are  
 14.30 effective at the same time it became effective for federal purposes and apply to the  
 14.31 subtraction under subdivision 19b, clause (6).

14.32 Except as otherwise provided, references to the Internal Revenue Code in  
 14.33 subdivisions 19 to 19f mean the code in effect for purposes of determining net income for  
 14.34 the applicable year.

14.35 **EFFECTIVE DATE.** This section is effective the day after final enactment.

15.1 Sec. 3. Minnesota Statutes 2010, section 290.01, subdivision 19a, is amended to read:  
 15.2 Subd. 19a. **Additions to federal taxable income.** For individuals, estates, and  
 15.3 trusts, there shall be added to federal taxable income:

14.4 In the case of a regulated investment company or a fund thereof, as defined in section  
 14.5 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment  
 14.6 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,  
 14.7 except that:

14.8 (1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal  
 14.9 Revenue Code does not apply;

14.10 (2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal  
 14.11 Revenue Code must be applied by allowing a deduction for capital gain dividends and  
 14.12 exempt-interest dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal  
 14.13 Revenue Code; and

14.14 (3) the deduction for dividends paid must also be applied in the amount of any  
 14.15 undistributed capital gains which the regulated investment company elects to have treated  
 14.16 as provided in section 852(b)(3)(D) of the Internal Revenue Code.

14.17 The net income of a real estate investment trust as defined and limited by section  
 14.18 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust  
 14.19 taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

14.20 The net income of a designated settlement fund as defined in section 468B(d) of  
 14.21 the Internal Revenue Code means the gross income as defined in section 468B(b) of the  
 14.22 Internal Revenue Code.

14.23 The Internal Revenue Code of 1986, as amended through March 18, 2010 September  
14.24 27, 2010, shall be in effect for taxable years beginning after December 31, 1996. The  
 14.25 provisions of the act of January 22, 2010, Public Law 111-126, to accelerate the benefits  
 14.26 for charitable cash contributions for the relief of victims of the Haitian earthquake, are  
 14.27 effective at the same time it became effective for federal purposes and apply to the  
 14.28 subtraction under subdivision 19b, clause (6).

14.29 Except as otherwise provided, references to the Internal Revenue Code in  
 14.30 subdivisions 19 to 19f mean the code in effect for purposes of determining net income  
 14.31 for the applicable year. For taxable years beginning after December 31, 2009, and before  
14.32 January 1, 2011, the provisions of the act of December 17, 2010, Public Law 111-312, are  
14.33 effective at the same time they became effective for federal purposes.

14.34 **EFFECTIVE DATE.** This section is effective the day following final enactment.

14.35 Sec. 3. Minnesota Statutes 2010, section 290.01, subdivision 19a, is amended to read:  
 15.1 Subd. 19a. **Additions to federal taxable income.** For individuals, estates, and  
 15.2 trusts, there shall be added to federal taxable income:

15.4 (1)(i) interest income on obligations of any state other than Minnesota or a political  
 15.5 or governmental subdivision, municipality, or governmental agency or instrumentality  
 15.6 of any state other than Minnesota exempt from federal income taxes under the Internal  
 15.7 Revenue Code or any other federal statute; and

15.8 (ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue  
 15.9 Code, except:

15.10 (A) the portion of the exempt-interest dividends exempt from state taxation under  
 15.11 the laws of the United States; and

15.12 (B) the portion of the exempt-interest dividends derived from interest income  
 15.13 on obligations of the state of Minnesota or its political or governmental subdivisions,  
 15.14 municipalities, governmental agencies or instrumentalities, but only if the portion of the  
 15.15 exempt-interest dividends from such Minnesota sources paid to all shareholders represents  
 15.16 95 percent or more of the exempt-interest dividends, including any dividends exempt  
 15.17 under subitem (A), that are paid by the regulated investment company as defined in section  
 15.18 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as  
 15.19 defined in section 851(g) of the Internal Revenue Code, making the payment; and

15.20 (iii) for the purposes of items (i) and (ii), interest on obligations of an Indian tribal  
 15.21 government described in section 7871(c) of the Internal Revenue Code shall be treated as  
 15.22 interest income on obligations of the state in which the tribe is located;

15.23 (2) the amount of income, sales and use, motor vehicle sales, or excise taxes paid  
 15.24 or accrued within the taxable year under this chapter and the amount of taxes based on  
 15.25 net income paid, sales and use, motor vehicle sales, or excise taxes paid to any other  
 15.26 state or to any province or territory of Canada, to the extent allowed as a deduction  
 15.27 under section 63(d) of the Internal Revenue Code, but the addition may not be more  
 15.28 than the amount by which the itemized deductions as allowed under section 63(d) of  
 15.29 the Internal Revenue Code exceeds the amount of the standard deduction as defined in  
 15.30 section 63(c) of the Internal Revenue Code, disregarding the amounts allowed under  
 15.31 sections 63(c)(1)(C) and 63(c)(1)(E) of the Internal Revenue Code. For the purpose of  
 15.32 this paragraph, the disallowance of itemized deductions under section 68 of the Internal  
 15.33 Revenue Code of 1986, income, sales and use, motor vehicle sales, or excise taxes are  
 15.34 the last itemized deductions disallowed;

15.35 (3) the capital gain amount of a lump-sum distribution to which the special tax under  
 15.36 section 1122(h)(3)(B)(ii) of the Tax Reform Act of 1986, Public Law 99-514, applies;

16.1 (4) the amount of income taxes paid or accrued within the taxable year under this  
 16.2 chapter and taxes based on net income paid to any other state or any province or territory  
 16.3 of Canada, to the extent allowed as a deduction in determining federal adjusted gross  
 16.4 income. For the purpose of this paragraph, income taxes do not include the taxes imposed  
 16.5 by sections 290.0922, subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

15.3 (1)(i) interest income on obligations of any state other than Minnesota or a political  
 15.4 or governmental subdivision, municipality, or governmental agency or instrumentality  
 15.5 of any state other than Minnesota exempt from federal income taxes under the Internal  
 15.6 Revenue Code or any other federal statute; and

15.7 (ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue  
 15.8 Code, except:

15.9 (A) the portion of the exempt-interest dividends exempt from state taxation under  
 15.10 the laws of the United States; and

15.11 (B) the portion of the exempt-interest dividends derived from interest income  
 15.12 on obligations of the state of Minnesota or its political or governmental subdivisions,  
 15.13 municipalities, governmental agencies or instrumentalities, but only if the portion of the  
 15.14 exempt-interest dividends from such Minnesota sources paid to all shareholders represents  
 15.15 95 percent or more of the exempt-interest dividends, including any dividends exempt  
 15.16 under subitem (A), that are paid by the regulated investment company as defined in section  
 15.17 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as  
 15.18 defined in section 851(g) of the Internal Revenue Code, making the payment; and

15.19 (iii) for the purposes of items (i) and (ii), interest on obligations of an Indian tribal  
 15.20 government described in section 7871(c) of the Internal Revenue Code shall be treated as  
 15.21 interest income on obligations of the state in which the tribe is located;

15.22 (2) the amount of income, sales and use, motor vehicle sales, or excise taxes paid  
 15.23 or accrued within the taxable year under this chapter and the amount of taxes based on  
 15.24 net income paid, sales and use, motor vehicle sales, or excise taxes paid to any other  
 15.25 state or to any province or territory of Canada, to the extent allowed as a deduction  
 15.26 under section 63(d) of the Internal Revenue Code, but the addition may not be more  
 15.27 than the amount by which the itemized deductions as allowed under section 63(d) of  
 15.28 the Internal Revenue Code exceeds the amount of the standard deduction as defined in  
 15.29 section 63(c) of the Internal Revenue Code, disregarding the amounts allowed under  
 15.30 sections 63(c)(1)(C) and 63(c)(1)(E) of the Internal Revenue Code. For the purpose of  
 15.31 this paragraph, the disallowance of itemized deductions under section 68 of the Internal  
 15.32 Revenue Code of 1986, income, sales and use, motor vehicle sales, or excise taxes are  
 15.33 the last itemized deductions disallowed;

15.34 (3) the capital gain amount of a lump-sum distribution to which the special tax under  
 15.35 section 1122(h)(3)(B)(ii) of the Tax Reform Act of 1986, Public Law 99-514, applies;

16.1 (4) the amount of income taxes paid or accrued within the taxable year under this  
 16.2 chapter and taxes based on net income paid to any other state or any province or territory  
 16.3 of Canada, to the extent allowed as a deduction in determining federal adjusted gross  
 16.4 income. For the purpose of this paragraph, income taxes do not include the taxes imposed  
 16.5 by sections 290.0922, subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

16.6 (5) the amount of expense, interest, or taxes disallowed pursuant to section 290.10  
16.7 other than expenses or interest used in computing net interest income for the subtraction  
16.8 allowed under subdivision 19b, clause (1);  
  
16.9 (6) the amount of a partner's pro rata share of net income which does not flow  
16.10 through to the partner because the partnership elected to pay the tax on the income under  
16.11 section 6242(a)(2) of the Internal Revenue Code;  
  
16.12 (7) 80 percent of the depreciation deduction allowed under section 168(k) of the  
16.13 Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that  
16.14 in the taxable year generates a deduction for depreciation under section 168(k) and the  
16.15 activity generates a loss for the taxable year that the taxpayer is not allowed to claim for  
16.16 the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is  
16.17 limited to excess of the depreciation claimed by the activity under section 168(k) over the  
16.18 amount of the loss from the activity that is not allowed in the taxable year. In succeeding  
16.19 taxable years when the losses not allowed in the taxable year are allowed, the depreciation  
16.20 under section 168(k) is allowed;  
  
16.21 (8) for taxable years beginning before January 1, 2011, 80 percent of the amount by  
16.22 which the deduction allowed by section 179 of the Internal Revenue Code exceeds the  
16.23 deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended  
16.24 through December 31, 2003;  
  
16.25 (9) to the extent deducted in computing federal taxable income, the amount of the  
16.26 deduction allowable under section 199 of the Internal Revenue Code;  
  
16.27 (10) for taxable years beginning before January 1, 2013, the exclusion allowed  
16.28 under section 139A of the Internal Revenue Code for federal subsidies for prescription  
16.29 drug plans;  
  
16.30 (11) the amount of expenses disallowed under section 290.10, subdivision 2;  
  
16.31 (12) the amount deducted for qualified tuition and related expenses under section  
16.32 222 of the Internal Revenue Code, to the extent deducted from gross income;  
  
16.33 (13) the amount deducted for certain expenses of elementary and secondary school  
16.34 teachers under section 62(a)(2)(D) of the Internal Revenue Code, to the extent deducted  
16.35 from gross income;  
  
17.1 (14) the additional standard deduction for property taxes payable that is allowable  
17.2 under section 63(c)(1)(C) of the Internal Revenue Code;  
  
17.3 (15) the additional standard deduction for qualified motor vehicle sales taxes  
17.4 allowable under section 63(c)(1)(E) of the Internal Revenue Code;  
  
17.5 (16) discharge of indebtedness income resulting from reacquisition of business  
17.6 indebtedness and deferred under section 108(i) of the Internal Revenue Code; and

16.6 (5) the amount of expense, interest, or taxes disallowed pursuant to section 290.10  
16.7 other than expenses or interest used in computing net interest income for the subtraction  
16.8 allowed under subdivision 19b, clause (1);  
  
16.9 (6) the amount of a partner's pro rata share of net income which does not flow  
16.10 through to the partner because the partnership elected to pay the tax on the income under  
16.11 section 6242(a)(2) of the Internal Revenue Code;  
  
16.12 (7) 80 percent of the depreciation deduction allowed under section 168(k) of the  
16.13 Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that  
16.14 in the taxable year generates a deduction for depreciation under section 168(k) and the  
16.15 activity generates a loss for the taxable year that the taxpayer is not allowed to claim for  
16.16 the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is  
16.17 limited to excess of the depreciation claimed by the activity under section 168(k) over the  
16.18 amount of the loss from the activity that is not allowed in the taxable year. In succeeding  
16.19 taxable years when the losses not allowed in the taxable year are allowed, the depreciation  
16.20 under section 168(k) is allowed;  
  
16.21 (8) for taxable years beginning before January 1, 2011, 80 percent of the amount by  
16.22 which the deduction allowed by section 179 of the Internal Revenue Code exceeds the  
16.23 deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended  
16.24 through December 31, 2003;  
  
16.25 (9) to the extent deducted in computing federal taxable income, the amount of the  
16.26 deduction allowable under section 199 of the Internal Revenue Code;  
  
16.27 (10) for taxable years beginning before January 1, 2013, the exclusion allowed  
16.28 under section 139A of the Internal Revenue Code for federal subsidies for prescription  
16.29 drug plans;  
  
16.30 (11) the amount of expenses disallowed under section 290.10, subdivision 2;  
  
16.31 (12) the amount deducted for qualified tuition and related expenses under section  
16.32 222 of the Internal Revenue Code, to the extent deducted from gross income;  
  
16.33 (13) the amount deducted for certain expenses of elementary and secondary school  
16.34 teachers under section 62(a)(2)(D) of the Internal Revenue Code, to the extent deducted  
16.35 from gross income;  
  
17.1 (14) the additional standard deduction for property taxes payable that is allowable  
17.2 under section 63(c)(1)(C) of the Internal Revenue Code;  
  
17.3 (15) the additional standard deduction for qualified motor vehicle sales taxes  
17.4 allowable under section 63(c)(1)(E) of the Internal Revenue Code;  
  
17.5 (16) discharge of indebtedness income resulting from reacquisition of business  
17.6 indebtedness and deferred under section 108(i) of the Internal Revenue Code; and

17.7 (17) the amount of unemployment compensation exempt from tax under section  
17.8 85(c) of the Internal Revenue Code.

17.9 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
17.10 December 31, 2009.

17.11 Sec. 4. Minnesota Statutes 2010, section 290.01, subdivision 19c, is amended to read:

17.12 Subd. 19c. **Corporations; additions to federal taxable income.** For corporations,  
17.13 there shall be added to federal taxable income:

17.14 (1) the amount of any deduction taken for federal income tax purposes for income,  
17.15 excise, or franchise taxes based on net income or related minimum taxes, including but not  
17.16 limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota,  
17.17 another state, a political subdivision of another state, the District of Columbia, or any  
17.18 foreign country or possession of the United States;

17.19 (2) interest not subject to federal tax upon obligations of: the United States, its  
17.20 possessions, its agencies, or its instrumentalities; the state of Minnesota or any other  
17.21 state, any of its political or governmental subdivisions, any of its municipalities, or any  
17.22 of its governmental agencies or instrumentalities; the District of Columbia; or Indian  
17.23 tribal governments;

17.24 (3) exempt-interest dividends received as defined in section 852(b)(5) of the Internal  
17.25 Revenue Code;

17.26 (4) the amount of any net operating loss deduction taken for federal income tax  
17.27 purposes under section 172 or 832(c)(10) of the Internal Revenue Code or operations loss  
17.28 deduction under section 810 of the Internal Revenue Code;

17.29 (5) the amount of any special deductions taken for federal income tax purposes  
17.30 under sections 241 to 247 and 965 of the Internal Revenue Code;

17.31 (6) losses from the business of mining, as defined in section 290.05, subdivision 1,  
17.32 clause (a), that are not subject to Minnesota income tax;

17.33 (7) the amount of any capital losses deducted for federal income tax purposes under  
17.34 sections 1211 and 1212 of the Internal Revenue Code;

18.1 (8) the exempt foreign trade income of a foreign sales corporation under sections  
18.2 921(a) and 291 of the Internal Revenue Code;

18.3 (9) the amount of percentage depletion deducted under sections 611 through 614 and  
18.4 291 of the Internal Revenue Code;

17.7 (17) the amount of unemployment compensation exempt from tax under section  
17.8 85(c) of the Internal Revenue Code.

17.9 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
17.10 December 31, 2009.

17.11 Sec. 4. Minnesota Statutes 2010, section 290.01, subdivision 19c, is amended to read:

17.12 Subd. 19c. **Corporations; additions to federal taxable income.** For corporations,  
17.13 there shall be added to federal taxable income:

17.14 (1) the amount of any deduction taken for federal income tax purposes for income,  
17.15 excise, or franchise taxes based on net income or related minimum taxes, including but not  
17.16 limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota,  
17.17 another state, a political subdivision of another state, the District of Columbia, or any  
17.18 foreign country or possession of the United States;

17.19 (2) interest not subject to federal tax upon obligations of: the United States, its  
17.20 possessions, its agencies, or its instrumentalities; the state of Minnesota or any other  
17.21 state, any of its political or governmental subdivisions, any of its municipalities, or any  
17.22 of its governmental agencies or instrumentalities; the District of Columbia; or Indian  
17.23 tribal governments;

17.24 (3) exempt-interest dividends received as defined in section 852(b)(5) of the Internal  
17.25 Revenue Code;

17.26 (4) the amount of any net operating loss deduction taken for federal income tax  
17.27 purposes under section 172 or 832(c)(10) of the Internal Revenue Code or operations loss  
17.28 deduction under section 810 of the Internal Revenue Code;

17.29 (5) the amount of any special deductions taken for federal income tax purposes  
17.30 under sections 241 to 247 and 965 of the Internal Revenue Code;

17.31 (6) losses from the business of mining, as defined in section 290.05, subdivision 1,  
17.32 clause (a), that are not subject to Minnesota income tax;

17.33 (7) the amount of any capital losses deducted for federal income tax purposes under  
17.34 sections 1211 and 1212 of the Internal Revenue Code;

18.1 (8) the exempt foreign trade income of a foreign sales corporation under sections  
18.2 921(a) and 291 of the Internal Revenue Code;

18.3 (9) the amount of percentage depletion deducted under sections 611 through 614 and  
18.4 291 of the Internal Revenue Code;

18.5 (10) for certified pollution control facilities placed in service in a taxable year  
 18.6 beginning before December 31, 1986, and for which amortization deductions were elected  
 18.7 under section 169 of the Internal Revenue Code of 1954, as amended through December  
 18.8 31, 1985, the amount of the amortization deduction allowed in computing federal taxable  
 18.9 income for those facilities;

18.10 (11) the amount of any deemed dividend from a foreign operating corporation  
 18.11 determined pursuant to section 290.17, subdivision 4, paragraph (g). The deemed dividend  
 18.12 shall be reduced by the amount of the addition to income required by clauses (20), (21),  
 18.13 (22), and (23);

18.14 (12) the amount of a partner's pro rata share of net income which does not flow  
 18.15 through to the partner because the partnership elected to pay the tax on the income under  
 18.16 section 6242(a)(2) of the Internal Revenue Code;

18.17 (13) the amount of net income excluded under section 114 of the Internal Revenue  
 18.18 Code;

18.19 (14) any increase in subpart F income, as defined in section 952(a) of the Internal  
 18.20 Revenue Code, for the taxable year when subpart F income is calculated without regard to  
 18.21 the provisions of Division C, title III, section 303(b) of Public Law 110-343;

18.22 (15) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A)  
 18.23 and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if the taxpayer  
 18.24 has an activity that in the taxable year generates a deduction for depreciation under  
 18.25 section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable year  
 18.26 that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed  
 18.27 under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the  
 18.28 depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) over the  
 18.29 amount of the loss from the activity that is not allowed in the taxable year. In succeeding  
 18.30 taxable years when the losses not allowed in the taxable year are allowed, the depreciation  
 18.31 under section 168(k)(1)(A) and (k)(4)(A) is allowed;

18.32 (16) for taxable years beginning before January 1, 2011, 80 percent of the amount by  
 18.33 which the deduction allowed by section 179 of the Internal Revenue Code exceeds the  
 18.34 deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended  
 18.35 through December 31, 2003;

19.1 (17) to the extent deducted in computing federal taxable income, the amount of the  
 19.2 deduction allowable under section 199 of the Internal Revenue Code;

19.3 (18) for taxable years beginning before January 1, 2013, the exclusion allowed  
 19.4 under section 139A of the Internal Revenue Code for federal subsidies for prescription  
 19.5 drug plans;

19.6 (19) the amount of expenses disallowed under section 290.10, subdivision 2;

18.5 (10) for certified pollution control facilities placed in service in a taxable year  
 18.6 beginning before December 31, 1986, and for which amortization deductions were elected  
 18.7 under section 169 of the Internal Revenue Code of 1954, as amended through December  
 18.8 31, 1985, the amount of the amortization deduction allowed in computing federal taxable  
 18.9 income for those facilities;

18.10 (11) the amount of any deemed dividend from a foreign operating corporation  
 18.11 determined pursuant to section 290.17, subdivision 4, paragraph (g). The deemed dividend  
 18.12 shall be reduced by the amount of the addition to income required by clauses (20), (21),  
 18.13 (22), and (23);

18.14 (12) the amount of a partner's pro rata share of net income which does not flow  
 18.15 through to the partner because the partnership elected to pay the tax on the income under  
 18.16 section 6242(a)(2) of the Internal Revenue Code;

18.17 (13) the amount of net income excluded under section 114 of the Internal Revenue  
 18.18 Code;

18.19 (14) any increase in subpart F income, as defined in section 952(a) of the Internal  
 18.20 Revenue Code, for the taxable year when subpart F income is calculated without regard to  
 18.21 the provisions of Division C, title III, section 303(b) of Public Law 110-343;

18.22 (15) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A)  
 18.23 and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if the taxpayer  
 18.24 has an activity that in the taxable year generates a deduction for depreciation under  
 18.25 section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable year  
 18.26 that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed  
 18.27 under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the  
 18.28 depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) over the  
 18.29 amount of the loss from the activity that is not allowed in the taxable year. In succeeding  
 18.30 taxable years when the losses not allowed in the taxable year are allowed, the depreciation  
 18.31 under section 168(k)(1)(A) and (k)(4)(A) is allowed;

18.32 (16) for taxable years beginning before January 1, 2011, 80 percent of the amount by  
 18.33 which the deduction allowed by section 179 of the Internal Revenue Code exceeds the  
 18.34 deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended  
 18.35 through December 31, 2003;

19.1 (17) to the extent deducted in computing federal taxable income, the amount of the  
 19.2 deduction allowable under section 199 of the Internal Revenue Code;

19.3 (18) for taxable years beginning before January 1, 2013, the exclusion allowed  
 19.4 under section 139A of the Internal Revenue Code for federal subsidies for prescription  
 19.5 drug plans;

19.6 (19) the amount of expenses disallowed under section 290.10, subdivision 2;

19.7 (20) an amount equal to the interest and intangible expenses, losses, and costs paid,  
 19.8 accrued, or incurred by any member of the taxpayer's unitary group to or for the benefit  
 19.9 of a corporation that is a member of the taxpayer's unitary business group that qualifies  
 19.10 as a foreign operating corporation. For purposes of this clause, intangible expenses and  
 19.11 costs include:

19.12 (i) expenses, losses, and costs for, or related to, the direct or indirect acquisition,  
 19.13 use, maintenance or management, ownership, sale, exchange, or any other disposition of  
 19.14 intangible property;

19.15 (ii) losses incurred, directly or indirectly, from factoring transactions or discounting  
 19.16 transactions;

19.17 (iii) royalty, patent, technical, and copyright fees;

19.18 (iv) licensing fees; and

19.19 (v) other similar expenses and costs.

19.20 For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent  
 19.21 applications, trade names, trademarks, service marks, copyrights, mask works, trade  
 19.22 secrets, and similar types of intangible assets.

19.23 This clause does not apply to any item of interest or intangible expenses or costs paid,  
 19.24 accrued, or incurred, directly or indirectly, to a foreign operating corporation with respect  
 19.25 to such item of income to the extent that the income to the foreign operating corporation  
 19.26 is income from sources without the United States as defined in subtitle A, chapter 1,  
 19.27 subchapter N, part 1, of the Internal Revenue Code;

19.28 (21) except as already included in the taxpayer's taxable income pursuant to clause  
 19.29 (20), any interest income and income generated from intangible property received or  
 19.30 accrued by a foreign operating corporation that is a member of the taxpayer's unitary  
 19.31 group. For purposes of this clause, income generated from intangible property includes:

19.32 (i) income related to the direct or indirect acquisition, use, maintenance or  
 19.33 management, ownership, sale, exchange, or any other disposition of intangible property;

19.34 (ii) income from factoring transactions or discounting transactions;

19.35 (iii) royalty, patent, technical, and copyright fees;

19.36 (iv) licensing fees; and

20.1 (v) other similar income.

20.2 For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent  
 20.3 applications, trade names, trademarks, service marks, copyrights, mask works, trade  
 20.4 secrets, and similar types of intangible assets.

19.7 (20) an amount equal to the interest and intangible expenses, losses, and costs paid,  
 19.8 accrued, or incurred by any member of the taxpayer's unitary group to or for the benefit  
 19.9 of a corporation that is a member of the taxpayer's unitary business group that qualifies  
 19.10 as a foreign operating corporation. For purposes of this clause, intangible expenses and  
 19.11 costs include:

19.12 (i) expenses, losses, and costs for, or related to, the direct or indirect acquisition,  
 19.13 use, maintenance or management, ownership, sale, exchange, or any other disposition of  
 19.14 intangible property;

19.15 (ii) losses incurred, directly or indirectly, from factoring transactions or discounting  
 19.16 transactions;

19.17 (iii) royalty, patent, technical, and copyright fees;

19.18 (iv) licensing fees; and

19.19 (v) other similar expenses and costs.

19.20 For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent  
 19.21 applications, trade names, trademarks, service marks, copyrights, mask works, trade  
 19.22 secrets, and similar types of intangible assets.

19.23 This clause does not apply to any item of interest or intangible expenses or costs paid,  
 19.24 accrued, or incurred, directly or indirectly, to a foreign operating corporation with respect  
 19.25 to such item of income to the extent that the income to the foreign operating corporation  
 19.26 is income from sources without the United States as defined in subtitle A, chapter 1,  
 19.27 subchapter N, part 1, of the Internal Revenue Code;

19.28 (21) except as already included in the taxpayer's taxable income pursuant to clause  
 19.29 (20), any interest income and income generated from intangible property received or  
 19.30 accrued by a foreign operating corporation that is a member of the taxpayer's unitary  
 19.31 group. For purposes of this clause, income generated from intangible property includes:

19.32 (i) income related to the direct or indirect acquisition, use, maintenance or  
 19.33 management, ownership, sale, exchange, or any other disposition of intangible property;

19.34 (ii) income from factoring transactions or discounting transactions;

19.35 (iii) royalty, patent, technical, and copyright fees;

19.36 (iv) licensing fees; and

20.1 (v) other similar income.

20.2 For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent  
 20.3 applications, trade names, trademarks, service marks, copyrights, mask works, trade  
 20.4 secrets, and similar types of intangible assets.

20.5 This clause does not apply to any item of interest or intangible income received or accrued  
 20.6 by a foreign operating corporation with respect to such item of income to the extent that  
 20.7 the income is income from sources without the United States as defined in subtitle A,  
 20.8 chapter 1, subchapter N, part 1, of the Internal Revenue Code;

20.9 (22) the dividends attributable to the income of a foreign operating corporation that  
 20.10 is a member of the taxpayer's unitary group in an amount that is equal to the dividends  
 20.11 paid deduction of a real estate investment trust under section 561(a) of the Internal  
 20.12 Revenue Code for amounts paid or accrued by the real estate investment trust to the  
 20.13 foreign operating corporation;

20.14 (23) the income of a foreign operating corporation that is a member of the taxpayer's  
 20.15 unitary group in an amount that is equal to gains derived from the sale of real or personal  
 20.16 property located in the United States;

20.17 (24) the additional amount allowed as a deduction for donation of computer  
 20.18 technology and equipment under section 170(e)(6) of the Internal Revenue Code, to the  
 20.19 extent deducted from taxable income; and

20.20 (25) discharge of indebtedness income resulting from reacquisition of business  
 20.21 indebtedness and deferred under section 108(i) of the Internal Revenue Code.

**20.22 EFFECTIVE DATE.** This section is effective for taxable years beginning after  
20.23 December 31, 2009.

20.24 Sec. 5. Minnesota Statutes 2010, section 290.01, subdivision 31, is amended to read:

20.25 Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal  
 20.26 Revenue Code" means the Internal Revenue Code of 1986, as amended through March  
20.27 18, 2010 September 27, 2010. Internal Revenue Code also includes any uncodified  
 20.28 provision in federal law that relates to provisions of the Internal Revenue Code that are  
 20.29 incorporated into Minnesota law.

**20.30 EFFECTIVE DATE.** This section is effective the day following final enactment  
20.31 except that the changes incorporated by federal changes are effective at the same time as  
20.32 the changes were effective for federal purposes.

20.33 Sec. 6. Minnesota Statutes 2010, section 290A.03, subdivision 15, is amended to read:

21.1 Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal  
 21.2 Revenue Code of 1986, as amended through March 18, 2010 September 27, 2010.

**21.3 EFFECTIVE DATE.** This section is effective for property tax refunds based on  
21.4 property taxes payable on or after December 31, 2010, and rent paid on or after December  
21.5 31, 2009.

20.5 This clause does not apply to any item of interest or intangible income received or accrued  
 20.6 by a foreign operating corporation with respect to such item of income to the extent that  
 20.7 the income is income from sources without the United States as defined in subtitle A,  
 20.8 chapter 1, subchapter N, part 1, of the Internal Revenue Code;

20.9 (22) the dividends attributable to the income of a foreign operating corporation that  
 20.10 is a member of the taxpayer's unitary group in an amount that is equal to the dividends  
 20.11 paid deduction of a real estate investment trust under section 561(a) of the Internal  
 20.12 Revenue Code for amounts paid or accrued by the real estate investment trust to the  
 20.13 foreign operating corporation;

20.14 (23) the income of a foreign operating corporation that is a member of the taxpayer's  
 20.15 unitary group in an amount that is equal to gains derived from the sale of real or personal  
 20.16 property located in the United States;

20.17 (24) the additional amount allowed as a deduction for donation of computer  
 20.18 technology and equipment under section 170(e)(6) of the Internal Revenue Code, to the  
 20.19 extent deducted from taxable income; and

20.20 (25) discharge of indebtedness income resulting from reacquisition of business  
 20.21 indebtedness and deferred under section 108(i) of the Internal Revenue Code.

**20.22 EFFECTIVE DATE.** This section is effective for taxable years beginning after  
20.23 December 31, 2009.

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 20.28 provision in federal law that relates to provisions of the Internal Revenue Code that are  
 20.29 incorporated into Minnesota law.

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21.4 property taxes payable on or after December 31, 2010, and rent paid on or after December  
21.5 31, 2009.

21.6 Sec. 7. **CORRECTED FORM W-2 NOT REQUIRED.**

21.7 Employers who have prepared and distributed form W-2, wage and tax statement,  
21.8 for tax year 2010, that reported to employees the amount of health coverage provided to  
21.9 adult children under age 27 includable in net income under prior law, are not required to  
21.10 prepare and distribute corrected tax year 2010 form W-2.

21.11 **EFFECTIVE DATE.** This section is effective the day following final enactment.

21.6 Sec. 7. **CORRECTED FORM W-2 NOT REQUIRED.**

21.7 Employers who have prepared and distributed form W-2, wage and tax statement,  
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21.10 prepare and distribute corrected tax year 2010 form W-2.

21.11 **EFFECTIVE DATE.** This section is effective the day following final enactment.